

**Internal Revenue Service
Director, Exempt Organizations
Rulings and Agreements**

**Department of the Treasury
P.O. Box 2508
Cincinnati, Ohio 45201**

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Date: March 1, 2011

Employer Identification Number:

Person to Contact - ID#:

Contact Telephone Numbers:

LEGEND

UIL 4945.04-04

B = Grant Program
C = Existing Program
D = Related organization
E = Geographic areas
F = Foundation
x = grant amounts

Dear

We have considered your request for advance approval of a grant-making program under section 4945 (g)(3) of the Internal Revenue Code, dated July 16, 2010

Our records indicate that you were recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a). In addition, our records indicate that you have received an advance approval from the Internal Revenue Service of a grant-making procedure on a program called C.

Your letter of July 16, 2010 indicates that you are expanding the existing program, C, and that you will have a program called B that is distinct from C.

In C, you focused on providing educational content and experiences to participants primarily from nations other than the United States.

In C, you are instructing and delivering educational content and exercises to participants who are chosen not by you but by foreign governments or related agencies. In B, you target only United States citizens, legal residents and people legally present in the United States.

Secondly, in C, no money from you is transferred to or for the benefit of participants. All costs related to C are paid for by the governments or related agencies of the students' home countries (which are primarily in the area E). However, with respect to B, you intend to make the grants to the participants in B.

By providing grants to enable qualified individuals to study entrepreneurship and participate in educational entrepreneurship internships, you will directly further your charitable purpose of providing opportunities to individuals for developing entrepreneurial and leadership skills; and indirectly further your charitable purpose of promoting economic development.

The Program

In furtherance of your exempt purpose, you seek new and innovative educational methods to develop entrepreneurs and entrepreneurial leaders and provide them with the skills necessary to establish and sustain high-impact ventures. As part of this effort, you have expanded C's classroom-based activities that are designed to help participants evaluate and understand their internship experiences at the participating firms in a way that will foster entrepreneurship.

You will require firms, which are willing to host an intern, to adhere to your designed educational expectations. The firms must select mentors who will be trained by you, and who will assist interns in analyzing and getting the most out of their experiences at the firms. You are in regular contact with host company mentors to ensure that they understand and pursue the objectives of the program. Recognizing that students come from different educational backgrounds and may have different entrepreneurial goals and experience, you work with mentors to create a customized internship program within the general educational parameters of B, which will maximize the entrepreneurial educational experiences of each participant.

You currently run the educational programs in which the grantees of B will participate. However, you expect eventually to spin those programs off to D, a non-profit corporation, of which you are the sole member. (D is in the process of preparing its Form 1023 application for recognition of tax-exemption for submission to the Internal Revenue Service.) The educational programs attended by grantees of B will likely be conducted by D as soon as it receives its determination of exempt status.

You and/or D will run the educational program in parallel with a long-term research program of data gathering, analysis and dissemination, with the goal of refining the understanding and teaching of entrepreneurship so that the graduating students will have a higher rate of success in their entrepreneurial ventures. To achieve this goal, you or D will monitor the failures and successes of as many entrepreneurial efforts as possible. It is anticipated that your educational program will provide an excellent focal point for the collection and analysis of data by providing an opportunity to observe students both while they are enrolled in the program and after they complete the program. For this reason, one of the characteristics that will be looked for in potential grant recipients is a visible level of commitment to allowing you and D to learn from the grantee's experiences both while engaged in the program and after the students have completed the program and pursue their entrepreneurial program. It is hoped that each graduating student entrepreneur will join your vast network of mentors. You or D will pursue arrangements that allow you to continue to collect data on the success or failure of the alumni's enterprises, post-matriculation. You or D will collect this data, analyze it and make it available to the public. In this way you and D hope to analyze further study of and discoveries about the nature of entrepreneurship and the role that it plays in job creation and growing of the U.S economy.

Criteria for Eligibility

Eligible individuals will include those who have promise for entrepreneurial success, regardless of their level of schooling or work experience, in recognition of the fact that the entrepreneurs hail from diverse backgrounds and have varying levels of educational and work experience. The three key traits that will be looked for in applicants are:

- 1) Entrepreneurial ambition, and inclination,
- 2) A background that indicates they have a credible platform of knowledge and experience in the field in which they wish to pursue a further venture, and
- 3) A visible level of commitment to (a) be fully engaged with you and with F's resources and (b) both learn and allow you to learn from the grantee not just while the grantee is participating in B but afterwards as well.

In addition, you will award grants on the basis of academic achievement, the relevance of the candidates' course of study and career objectives to the purpose of the grant program, and academic or professional experience in

commercializing innovation and ideas. You expect that the grant recipients will be highly accomplished students, researchers and aspiring entrepreneurs.

Selection Criteria and Process.

The opportunity for participation in B will be publicized in a variety of ways including informational letters sent to college and university presidents and deans; materials distributed to students' organizations; notices published in higher education publications, publications geared to entrepreneurs, and on your website, and other media.

Candidates for B will be required to submit a formal application that elicits background information and substantive responses to essay questions. Candidates also will be required to submit a resume, educational transcripts, and letters of recommendation. These materials will be collected for review by a grant selection committee.

The selection committee will include your staff members who specialize in entrepreneurial education, as well as senior executives of F. It may also include leading entrepreneurs and entrepreneurial experts from educational institutions.

Instructions and a worksheet of a similar grant program are supplied to members of the selection committee. These documents will be used as models for B, and will be used to guide the members of the selection committee through the process of making their selections in an unbiased and nondiscriminatory manner.

All members of the selection committee will be required to sign a Statement of Neutrality and Independence, which will ensure that the members of the selection committee will not be biased in their selection.

Application review and selections for the grant will be a multi-stage process consisting of at least two steps.

First, the grant selection committee will review grant applications and select finalists. In the first year of B, you expect to select approximately fifteen to fifty finalists for interviews, although these numbers may change as you gain experience with the program.

Individuals who pass this initial review process will be interviewed by the members of the grant selection committee, which will make the final selection of the scholars for B. It is expected that ten to twenty five scholars will be selected for the first year of B, but the number of grants awarded under B is expected to increase over time.

No opportunity for private benefit

As described under section 4946 of the Code, grant candidates may not be "disqualified persons", with respect to F. Furthermore, candidates may not have a family or business relationship to any members of any committee or to any of your employees involved in the selection process, or to any of your officers or trustees. In addition, candidates may not include anyone whose selection would result in a private benefit to any of the aforementioned bodies or individuals.

Terms and conditions for awarding grants

The terms and conditions of each grant will be set forth with specificity in the letter or other document awarding the grant, and will provide that the purpose of the grant is to achieve a specific objective (i.e., participation in your or D's educational programs), and to improve the entrepreneurial aptitude of the grantee.

Grants for B will be in range of x, (including travel costs and living expenses), depending on the nature of the particular grant. These amounts may vary over time. The grants ordinarily will be awarded for a six month period but may be shorter or longer in appropriate situations. At this time, you do not anticipate that it will be necessary to renew grants. Under compelling circumstances, however, you may agree to provide additional funds for a grantee to pursue his or her studies. If a grantee were to demonstrate the need for or interest in

continued or extended education, you could choose to renew the grant provided that, in accordance with Treasury Regulations, section 53.4945-4(a)(3)(iii), you have no information indicating the original grant was used for any purpose other than that for which it was made and any reports due pursuant to the terms of the original grant have been furnished. Any additional criteria and procedures will be objective and nondiscriminatory and otherwise consistent with your exempt purpose.

Funds Distribution

Grant funds are distributed in a manner that ensures the funds are used solely for the intended charitable purpose. Funds for travel and housing expenses are paid directly to the vendors by you. You will make all travel and housing arrangements. You charge no tuition for grantees of B to attend the educational programs. A stipend is distributed monthly to each grantee, via check or electronic funds transfer. After the initial partial payment, monthly disbursements are conditioned upon confirmation that appropriate programmatic milestones have been achieved with respect to attendance in the educational programs and the completion of home work, required reports and other assigned work product.

Supervisor of grant and investigation of jeopardized funds

Pursuant to a written grant agreement, grant recipients will be required to provide periodic written reports to you about their activities, progress, and use of funds. Such reports must be provided no less than annually. Reports will include an account of courses taken during the grant period. The grantee will be required to deliver a final report describing the grantee's accomplishments and a copy of the completed work products. If a grant recipient does not account for all funds, any unaccounted funds must be returned to you for use in the furtherance of your charitable purpose.

You will promptly investigate any apparent misuse of grant funds or failure to provide required reports. While a matter is being investigated, you will withhold further payments to the individuals involved until you have determined that no part of a grant has been misused and until missing reports have been submitted. If you discover the funds have, in fact, been misused, you will take all reasonable and appropriate steps to secure the repayment of the diverted funds. In addition, if such a diversion occurs while you are making installment payments on a grant, you will withhold any further payments until you have received assurances from the grant recipient that future diversions will not occur, and you have required the individual to take extraordinary precautions to prevent future diversions from occurring.

Record Keeping

You will maintain the following records to meet the requirements of Treasury Regulations, section 53.4945-4(c)(6):

- (1) all information secured to evaluate the qualifications of potential grantees;
- (2) identification of grantees, including all information necessary to assure that a grantee is not a disqualified person with respect to F within the meaning of section 4946(a)(1) of the Code;
- (3) specifications of the amount and purpose of each grant;
- (4) the reports from the grantees on their use of funds and any other information obtained in the course of supervising grants; and;
- (5) any information obtained in connection with the investigation of jeopardized grants.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c) (1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(3) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

We have not considered whether grants made under your procedures are excludable from the gross income of recipients under section 117(a) of the Code.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois Lerner
Director, Exempt Organizations